

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter, on the Commission's own motion,)	
to open a docket to implement the provisions of)	
Section 6w of 2016 PA 341 for UPPER MICHIGAN)	Case No. U-18253
ENERGY RESOURCES CORPORATION'S service)	
territory.)	
_____)	

In the matter, on the Commission's own motion,)	
to open a docket to implement the provisions of)	
Section 6w of 2016 PA 341 for UPPER PENINSULA)	Case No. U-18254
POWER COMPANY'S service territory.)	
_____)	

In the matter, on the Commission's own motion,)	
to open a docket to implement the provisions of)	
Section 6w of 2016 PA 341 for CLOVERLAND)	Case No. U-18258
ELECTRIC COOPERATIVE'S service territory.)	
_____)	

At the May 31, 2017 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman
Hon. Norman J. Saari, Commissioner
Hon. Rachael A. Eubanks, Commissioner

ORDER AND NOTICE OF HEARING

MCL 460.6w was added to 1939 PA 3, MCL 460.1 *et seq.*, by passage of 2016 PA 341.
Section 6w provides for the Commission to establish a State Reliability Mechanism (SRM). In an
order issued on February 28, 2017, the Commission opened the captioned dockets for Upper

Michigan Energy Resources Corporation (UMERC), Upper Peninsula Power Company (UPPCo), and Cloverland Electric Cooperative (Cloverland) in order to implement the provisions of MCL 460.6w for these Upper Peninsula electric utilities, all of which currently have customers that have chosen to purchase electric power from alternative electric suppliers (AESs).

However, after opening these dockets, the Commission opted to briefly refrain from establishing schedules for the proceedings applicable to UMEREC, UPPCo, and Cloverland in order to allow a limited opportunity for the Commission Staff (Staff), the affected utilities, and other interested persons to comment on the scope of these proceedings and the associated schedules. Comments were filed in these dockets by UMEREC, UPPCo, Cloverland, the Staff, the Association of Businesses Advocating Tariff Equity (ABATE), the Sierra Club, Constellation NewEnergy, Inc. (CNE), and Verso Corporation (Verso). The Commission summarized the comments filed in response to the February 28 order in its March 10, 2017 order, wherein the Commission concluded that there was no immediate need to place the proceedings for UMEREC, UPPCo, and Cloverland on the same fast track as Consumers Energy Company and DTE Electric Company. Instead, the Commission encouraged the Upper Peninsula utilities, the Staff, and the other interested entities to participate in a collaborative effort to be conducted by the Staff.

A review of the dockets of these proceedings reveals that the Staff sent letters on March 20 and April 11, 2017, inviting the Upper Peninsula utilities, ABATE, the Sierra Club, CNE, and Verso to participate in workgroup meetings on April 11, 2017 and April 26, 2017, respectively. No resolution of SRM-related issues for these Upper Peninsula utilities has been filed to date.

Therefore, because the statutory deadline for the Commission to establish SRMs applicable to the Upper Peninsula utilities is December 1, 2017, the Commission finds that the following prehearing conferences should be scheduled at this time, as follows:

A. UMERCE's prehearing conference shall be presided over by Administrative Law Judge Sharon L. Feldman at 9:00 am on Wednesday, June 28, 2017.

B. UPPCo's prehearing conference shall be presided over by Administrative Law Judge Suzanne D. Sonneborn (ALJ Sonneborn) at 9:30 am on Wednesday, June 28, 2017.

C. Cloverland's prehearing conference shall be presided over by ALJ Sonneborn at 10:00 am on Wednesday, June 28, 2017.

Specifically, the focus of these proceedings will be on the requirements of Sections 6w(2) and 6w(8) of Act 341, which provide:

(2) If the appropriate independent system operator receives approval from the Federal Energy Regulatory Commission to implement a resource adequacy tariff that provides for a capacity forward auction, and does not include the option for a state to implement a prevailing state compensation mechanism for capacity, then the commission shall examine whether a state reliability mechanism established under subsection (8) would be more cost-effective, reasonable, and prudent than the capacity forward auction for this state before the commission may order the state reliability mechanism to be implemented in any utility service territory. Before the commission orders the implementation of the state reliability mechanism in 1 or more utility service territories, the commission shall hold a contested case hearing pursuant to chapter 4 of the administrative procedures act of 1969, 1969 PA 306, MCL 24.271 to 24.287. The commission shall allow intervention by interested persons, alternative electric suppliers, and customers of alternative electric suppliers and the utility under consideration. At the conclusion of the proceeding, the commission shall make a finding for each utility service territory under consideration, based on clear and convincing evidence, as to whether or not the state reliability mechanism would be more cost-effective, reasonable, and prudent than the use of the capacity forward auction for this state in meeting the local clearing requirement and the planning reserve margin requirement. The contested case must be scheduled for completion by December 1 before the independent system operator's capacity forward auction for this state, and the commission's decision shall identify which utility service territories will be subject to the state reliability mechanism. If, by September 30, 2017, the Federal Energy Regulatory Commission does not put into effect a resource adequacy tariff that includes a capacity forward auction or a prevailing state compensation mechanism, then the commission shall establish a state reliability mechanism under subsection (8). The commission may commence a proceeding before October 1 if the commission believes orderly administration would be enabled by doing so. If the commission implements a state reliability mechanism, it shall be for a minimum of 4 consecutive planning years beginning in the upcoming planning year. A state reliability charge must be established in the same manner as a capacity charge under subsection (3) and be determined consistent with subsection (8). (Emphasis added).

(8) If a state reliability mechanism is required to be established under subsection (2), the commission shall do all of the following:

(a) Require, by December 1 of each year, that each electric utility demonstrate to the commission, in a format determined by the commission, that for the planning year beginning 4 years after the beginning of the current planning year, the electric utility owns or has contractual rights to sufficient capacity to meet its capacity obligations as set by the appropriate independent system operator, or commission, as applicable.

(b) Require, by the seventh business day of February each year, that each alternative electric supplier, cooperative electric utility, or municipally owned electric utility demonstrate to the commission, in a format determined by the commission, that for the planning year beginning 4 years after the beginning of the current planning year, the alternative electric supplier, cooperative electric utility, or municipally owned electric utility owns or has contractual rights to sufficient capacity to meet its capacity obligations as set by the appropriate independent system operator, or commission, as applicable. One or more municipally owned electric utilities may aggregate their capacity resources that are located in the same local resource zone to meet the requirements of this subdivision. One or more cooperative electric utilities may aggregate their capacity resources that are located in the same local resource zone to meet the requirements of this subdivision. A cooperative or municipally owned electric utility may meet the requirements of this subdivision through any resource, including a resource acquired through a capacity forward auction, that the appropriate independent system operator allows to qualify for meeting the local clearing requirement. A cooperative or municipally owned electric utility's payment of an auction price related to a capacity deficiency as part of a capacity forward auction conducted by the appropriate independent system operator does not by itself satisfy the resource adequacy requirements of this section unless the appropriate independent system operator can directly tie that provider's payment to a capacity resource that meets the requirements of this subsection. By the seventh business day of February in 2018, an alternative electric supplier shall demonstrate to the commission, in a format determined by the commission, that for the planning year beginning June 1, 2018, and the subsequent 3 planning years, the alternative electric supplier owns or has contractual rights to sufficient capacity to meet its capacity obligations as set by the appropriate independent system operator, or commission, as applicable. If the commission finds an electric provider has failed to demonstrate it can meet a portion or all of its capacity obligation, the commission shall do all of the following:

(i) For alternative electric load, require the payment of a capacity charge that is determined, assessed, and applied in the same manner as under subsection (3) for that portion of the load not covered as set forth in subsections (6) and (7). If a capacity charge is required to be paid under this subdivision in the planning year beginning June 1, 2018 or any of the 3 subsequent planning years, the capacity charge is applicable for each of those planning years.

(ii) For a cooperative or municipally owned electric utility, recommend to the attorney general that suit be brought consistent with the provisions of subsection (9) to require that procurement.

(iii) For an electric utility, require any audits and reporting as the commission considers necessary to determine if sufficient capacity is procured. If an electric utility fails to meet its capacity obligations, the commission may assess appropriate and reasonable fines, penalties, and customer refunds under this act.

(c) In order to determine the capacity obligations, request that the appropriate independent system operator provide technical assistance in determining the local clearing requirement and planning reserve margin requirement. If the appropriate independent system operator declines, or has not made a determination by October 1 of that year, the commission shall set any required local clearing requirement and planning reserve margin requirement, consistent with federal reliability requirements.

(d) In order to determine if resources put forward will meet such federal reliability requirements, request technical assistance from the appropriate independent system operator to assist with assessing resources to ensure that any resources will meet federal reliability requirements. If the technical assistance is rendered, the commission shall accept the appropriate independent system operator's determinations unless it finds adequate justification to deviate from the determinations related to the qualification of resources. If the appropriate independent system operator declines, or has not made a determination by February 28, the commission shall make those determinations.

THEREFORE, IT IS ORDERED that:

A. The Commission's Executive Secretary shall electronically serve copies of this order on Upper Michigan Energy Resources Corporation, Upper Peninsula Power Company, and Cloverland Electric Cooperative. The Executive Secretary shall also electronically serve all intervenors, commenters, and workgroup participants in these proceedings, and every licensed alternative electric supplier in Michigan.

B. Within 10 days following issuance of this order, Upper Michigan Energy Resources Corporation, Upper Peninsula Power Company, and Cloverland Electric Cooperative shall serve a copy of this order on all participants to their most recently concluded general rate cases and on all of their retail open access customers.

C. Petitions to intervene in Case Nos. U-18253, U-18254, or U-18258 shall be filed in the appropriate docket by June 21, 2017.

D. Administrative Law Judge Sharon L. Feldman shall preside over the initial prehearing conference and all further proceedings for Case No. U-18253, which has been set for June 28, 2017 at 9:00 am at the Commission's Lansing offices, 7109 W. Saginaw Highway, Lansing,

Michigan 48917. A schedule shall be set that recognizes the Commission's intent to read the record, the need for some staggering of the schedules of Case Nos. U-18253, U-18254, and U-18258, and the statutory requirement that the Commission must issue its final order on or before December 1, 2017.

E. Administrative Law Judge Suzanne D. Sonneborn shall preside over the initial prehearing conference and all further proceedings for Case No. U-18254, which has been set for June 28, 2017, at 9:30 am at the Commission's Lansing offices, 7109 W. Saginaw Highway, Lansing, Michigan 48917. A schedule shall be set that recognizes the Commission's intent to read the record, the need for some staggering of the schedules of Case Nos. U-18253, U-18254, and U-18258, and the statutory requirement that the Commission must issue its final order on or before December 1, 2017.

F. Administrative Law Judge Suzanne D. Sonneborn shall preside over the initial prehearing conference and all further proceedings for Case No. U-18258, which has been set for June 28, 2017 at 10:00 am at the Commission's Lansing offices, 7109 W. Saginaw Highway, Lansing, Michigan 48917. A schedule shall be set that recognizes the Commission's intent to read the record, the need for some staggering of the schedules of Case Nos. U-18253, U-18254, and U-18258, and the statutory requirement that the Commission must issue its final order on or before December 1, 2017.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so by the filing of a claim of appeal in the Michigan Court of Appeals within 30 days of the issuance of this order, under MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel. Electronic notifications should be sent to the Executive Secretary at mpscedockets@michigan.gov and to the Michigan Department of the Attorney General - Public Service Division at pungp1@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General - Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Sally A. Talberg, Chairman

Norman J. Saari, Commissioner

Rachael A. Eubanks, Commissioner

By its action of May 31, 2017.

Kavita Kale, Executive Secretary